

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation

ITEM NUMBER: 8a

ATTACHMENT(S): 2

ACTION: X

MEETING DATE: March 8, 2001

INFORMATION:

PRESENTER: Ed Derman

SUMMARY

Staff has prepared the attached analysis and recommended position on the following measure for the Board's consideration.

<u>Attachment</u>	<u>Bill Number</u>	<u>Author</u>	<u>Subject</u>
1	SB 165	O'Connell	CalPERS/CalSTRS membership election
2			Legislative Summary

Mr. Derman will provide a verbal update at the meeting.

Senate Bill 165

Senator O’Connell (As introduced 2/1/01)

Position:

Support, if amended (Staff recommendation)

Proponents:

ACSA, CTA

Opponents:

None known

SUMMARY

SB 165 permits a member of the California Public Employees’ Retirement System (CalPERS) who becomes employed in a position covered by the California State Teachers’ Retirement System (CalSTRS) Defined Benefit (DB) Program to elect to be excluded from CalSTRS and retain membership in CalPERS.

HISTORY

Chapter 880, Statutes of 2000 (SB 1694—Ortiz) allows CalSTRS members who become employed by the state in a bargaining unit that represents educational employees, as specified, or in an exempt or excluded position performing work similar to that covered by state bargaining units representing education-related positions, to remain in CalSTRS. It also allows state members of CalPERS employed by the California Department of Education who are subsequently employed in service that requires membership in CalSTRS to remain in CalPERS.

Chapter 402, Statutes of 2000 (AB 649—Machado) allows state employees who were vested members of CalSTRS and became mandatory members of CalPERS Tier II plan to elect to return to STRS membership and remain in the DB Program.

Chapter 838 Statutes of 1997 (SB 227—Solis) permits vested CalSTRS members who were employed by a community college district and subsequently became employed by the Board of Governors of the California Community Colleges to perform duties that required membership in a different public retirement system (e.g. CalPERS) to elect to remain in CalSTRS.

CURRENT PRACTICE

Generally, certificated employees of school employers have their service credited to the DB Program. In contrast, classified employees of school employers (such as clerical or janitorial staff), and state and many local employees have their service covered by CalPERS. During the course of a person’s working career, he or she may change from one public sector job to another. Normally, when a person changes jobs that are covered by a different public retirement system, the retirement benefits associated with that subsequent service is provided by the other retirement system.

At the present time, however, CalSTRS and CalPERS members employed by public schools, county superintendents and certain education-related state government agencies may continue membership in their existing retirement system when their new education-related position is covered by another retirement system. For example, a member of CalPERS who is employed by a school employer, the Board of Governors of California Community Colleges or the Department of Education and who subsequently is employed to perform CalSTRS creditable service, may elect to continue coverage under CalPERS for all subsequent CalSTRS creditable service.

The election to retain their current CalPERS membership:

- Must be made within 60 days of the date of hire into the new position.
- Must be executed on the appropriate form provided by the employer.
- Becomes effective as of the date of hire into the new position.
- Becomes irrevocable and applies to all subsequent service that would normally be covered by the CalSTRS DB Program.
- Remains in effect until all CalSTRS creditable service or service that would normally be covered by CalSTRS is terminated, and all CalPERS member contributions are refunded.

DISCUSSION

SB 165 permits all CalPERS members accepting future employment normally covered by the DB Program to elect to be excluded from CalSTRS and continue to accrue credited service in CalPERS. The CalPERS service would be credited as classified service, regardless of the specific CalPERS benefit program the member participated in during his or her prior employment.

According to the bill's sponsor, the bill is intended to provide an incentive for current state or local public employees to change careers and accept a teaching position, when they otherwise might not do so. Similar to SB 1694 (Ortiz), this measure addresses a recruitment and retention problem experienced by school districts, by allowing CalPERS members who become credentialed teachers to continue to earn CalPERS creditable service while teaching or performing creditable service otherwise credited to the DB Program. The sponsors indicate that CalPERS members with significant levels of CalPERS service credit would be more willing to enter the teaching profession if they could continue to accrue service credit in CalPERS while teaching. In order to more fully implement this intent, the bill should be limited to CalPERS members who are vested at the time of the employment change.

SB 165 will have minimal impact on CalSTRS' operations or programs because members of CalPERS that elect to retain their membership will pay no contributions to, and receive no benefits from CalSTRS. This measure also should not place an undue administrative burden on the majority of K-14 school employers, because they already report to CalPERS for classified service and make employer contributions to CalPERS for those employees performing DB creditable service that have elected to retain their CalPERS membership. Employers would, however, have to provide an increased number of new employees an opportunity to elect whether to be covered by CalSTRS or CalPERS.

FISCAL IMPACT

Benefit Program Costs – None

Administrative Costs – Minor and absorbable costs associated with updating manuals, creating an employer directive and answering inquiries concerning the new law.

RECOMMENDATION

Support, if amended to limit the bill's provisions to vested CalPERS members. By allowing CalPERS members with significant amounts of CalPERS service that become credentialed teachers to continue to earn CalPERS creditable service while teaching, SB 165 provides an additional incentive for current and former state employees to enter the classroom.

AB 135 AUTHOR: Assembly Member Havice
 TITLE: Final compensation and purchasing power
 LOCATION: Assembly PER&SS
 BOARD POSITION: Pending

COSTS: Benefit program – Pending

SB 165 AUTHOR: Senator O'Connell
 TITLE: CalPERS membership election
 LOCATION: Senate PE&R
 BOARD POSITION: Support, if amended (Staff recommendation)

COSTS: Benefit program – None.

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CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – February 20, 2001

[illegible]

SB 191 AUTHOR: Senator Karnette
 TITLE: Defined Benefit Supplement (DBS) enhancement and health
 benefit account
 LOCATION: Senate PE&R
 BOARD POSITION: Pending

SUMMARY: Requires CalSTRS to make additional contributions to DBS Program accounts until July 1, 2011 based on the member's years of credited service. Also credits a supplemental health insurance account with specified amounts for active DB Program members, until January 1, 2012, and currently retired members to pay health care costs during retirement.

COSTS: Benefit program – Pending.

Administrative – Pending.

P – Small School Districts Association, UTLA

0 – None known

SCA 2 AUTHOR: Senator Burton
 TITLE: Legislative oversight over public pension support budgets
 LOCATION: Senate PE&R
 BOARD POSITION: Pending

SUMMARY: Requires that expenditures for personnel, operating expenses and equipment for CalSTRS and CalPERS be approved in the annual Budget Act beginning in 2003-04 and authorizes the Governor and Legislature to request an independent actuarial review of CalSTRS and CalPERS.

COSTS: Benefit program – None.

Administrative – Minor and absorbable costs.

P – None known

0 – None known

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

<u>ABBREVIATION</u>	<u>ORGANIZATION</u>
AARP	American Association of Retired Persons, State Legislative Committee
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACSA	Association of California School Administrators
AFSCME	American Association of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
A.R.E.	Association of Retirees for Equity
ART	Association of Retired Teachers
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	California Public Employees' Retirement System
CalPIRG	California Public Interest Research Group
CalSTRS	California State Teachers' Retirement System
CASBO	California Association of School Business Officers
CCA	Community College Association
CCAE	California Council for Adult Education
CCC	California Community Colleges
CCPOA	California Correctional Peace Officers Association
CFA	California Faculty Association
CFT	California Federation of Teachers
CNEC	California Network of Educational Charters
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CRTA	California Retired Teachers Association
CSAC	California State Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration
FACCC	Faculty Association of California Community Colleges
F.A.I.R.	Faculty Attempting to Improve Retirement
FCPHE	Faculty Coalition for Public Higher Education
FTB	Franchise Tax Board
LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education

LEGEND OF ABBREVIATIONS

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<u>ABBREVIATION</u>	<u>ORGANIZATION</u>
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS	Assembly Public Employees, Retirement and Social Security
Senate PE&R	Senate Public Employment and Retirement